COMPANY UPDATE

Uzma (UZMA MK)

Championing The Reactivation Of Malaysia's Exploration Basin

Uzma held a briefing with a detailed review of its 4QFY25 revenue drivers, reassuring that the bulk of its loan book (85% mix) is backed by cash generating projects, and is on track to achieve a sizeable recurring earnings stream for both the O&G and new energy segments (the latter now has 120MW of capacity for generation). The seismic acquisition contract officially commenced in Aug 25 as per guidance, and we believe PX Geo is the vessel partner. Retain BUY; target price: RM0.76.

WHAT'S NEW

- **A detailed review of 4QFY25 revenue drivers.** In Uzma's briefing yesterday, it highlighted that the full traction of the solar business was the key revenue driver in the quarter, lifting the new energy segment's FY25 revenue mix from 18% to 26% yoy. For O&G, activities remain fairly healthy, especially the production services (PS) segment whereby 4QFY25 revenues improved to RM82m. The well services (WS) segment appeared to have declined yoy to RM67m. To recap, 4QFY24 was an unusually high quarter for the integrated well services contract, which sped up deliveries after the monsoon season in the prior quarters.

- **Uzma confirms cost base is normalised from 3QFY25 levels.** This referred to both amortisation and finance expenses. Management explained that the amortisation expenses were readjusted in 4QFY25 as the figures were overestimated in the previous quarters. In FY24, other than software development costs, Uzma also applied amortisation of intangible assets that include customer base, customer contracts and technical know-how primarily from acquisitions like Premier Enterprise Corp, Uzma Development and Setegap Ventures Petroleum (SVP)

- **Gearing surged, but 85% of loans backed by cash-generating projects/divisions.** Uzma ended FY25 with a net gearing of 1.15x (similar qoq but surged from 0.75x yoy), while its gross debt increased by RM21m qoq to RM866m, primarily due to loan drawdown to support its second water injection facility SARA WIF, and solar projects. However, we understand that 85% of its loan portfolio is backed by debt paybacks from projects like MARSYA WIF, SARA WIF, Large Scale Solar (LSS) projects, and business divisions like plug & abandonment and SVP, the business unit that primarily drives the coiled tubing business. Excluding the SARA WIF and LSS projects, we understand that the net gearing stood at 0.38x for 4QFY25.

- **Orderbook remains at RM4b, still primarily driven by O&G (75% mix).** PS contributes nearly half of the orderbook at RM1.9b, while WS orderbook comprised RM1.1b. Bidbook is now RM3.7b, with the non-O&G bid mix increasing to 67%. Perhaps also due to the abundant PS contracts secured lately, PS bidbook currently accounts for merely 10% of the mix.

KEY FINANCIALS

Year to 30 Jun (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	474	600	704	984	871
EBITDA	**63**	**84**	**80**	**99**	**108**
Operating profit	**63**	**61**	**51**	**65**	**68**
Net profit (rep./act.)	51	52	43	55	57
Net profit (adj.)	45	50	43	55	57
EPS (sen)	10.0	11.2	7.4	9.3	9.7
PE (x)	4.1	3.7	5.6	4.4	4.2
P/B (x)	0.4	0.3	0.4	0.4	0.3
EV/EBITDA (x)	8.3	8.9	7.9	7.7	7.0
Dividend yield (%)	-	2.4	4.9	7.3	9.8
Net margin (%)	11.8	8.3	6.2	5.6	6.6
Net debt/(cash) to equity (%)	70.4	103.2	103.5	113.4	121.5
Interest cover (x)	6.3	6.7	4.4	4.2	3.6
ROE (%)	12.0	9.9	8.3	10.1	10.3
Consensus net profit	-	-	43	55	61
UOBKH/Consensus (x)	-	-	1.00	1.00	0.90

Source: Uzma, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.41
Target Price	RM0.76
Upside	+84.7%

COMPANY DESCRIPTION

Uzma is an oil & gas company that provides integrated reservoir services to upstream players. Its most recent restructuring places the O&G business into: a) well services, b) production services, and c) the non-O&G business that comprise of three subsegments: i) new energy, which drives the renewable energy (RE) business; ii) energy trading; and iii) digital earth.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	UZMA MK
Shares issued (m):	588
Market cap (RMm):	241.4
Market cap (US$m):	50.4
3-mth avg daily t'over (US$m):	1.0

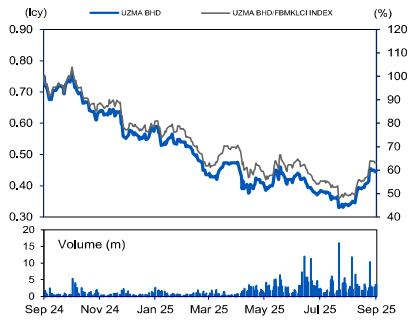
Price Performance (%)

52-week high/low RM0.93/RM0.37

1mth	3mth	6mth	1yr	YTD
0.0	(26.1)	(26.1)	(49.8)	(29.0)

Major Shareholders	**%**
Tenggiri Tuah	25.4
FY25 NAV/Share (RM)	1.38
FY25 Net Debt/Share (RM)	0.36

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **ESG update: New energy segment holds 120MW RE capacities for generation.** For Uzma Environergy, this is a significant improvement vs 100 MW a year ago, out of which 72MW is from the new LSS4 project while the remaining generation capacity relates to New Energy Metering. On top of this, Uzma is also supporting another 20-30MW worth of projects under the Engineering, Procurement, Construction and Commissioning scope. We understand that Uzma still has appetite to bid for 100MW worth of new LSS projects. On top of this, Uzma is also keen to bid for PETRA's Battery Energy Storage System (BESS), likely alongside a partner. To recap, Uzma signed a memorandum with Taiwan-based Terawatt for BESS in Aug 24.
- **Two-year seismic acquisition contract a significant earnings driver.** Petronas shared in its 2024 Integrated Report that it is activating five Malaysian frontier basins to expand 3D seismic coverage from <15% to 50% by 2030, which equals to mapping 50,000 sq km of new terrain. With a yearly investment of RM0.5b, this deeper data coverage (vs 2D seismic data for existing terrains) will reduce exploration risks. Uzma shared that it is the only local player that was selected by Petronas for this contract, and updated that the third-party seismic vessel had begun to mobilise in Malaysia as per its guidance (for Aug 25).
- PX Geo, a company founded by Peter Zickerman (a well-known veteran in the seismic industry), announced its breakthrough into the Malaysian market with a two-year offshore seismic acquisition contract that has a minimum 365 days of acquisition activity. Utilising PXGEO 2 vessel, which recently completed a month-long maintenance at Seatrium (after four years of nonstop works), the scope will involve multiple 2D and 3D towed streamer surveys, and the option to add ocean bottom node technology. We believe this is the seismic vessel which Uzma is the local project manager for, with an expectation of gross revenue of US$200m for two years, and a 3% margin.

EARNINGS FORECASTS/ RISKS

- **Retain earnings forecasts.** While there is upside to our forecasts, as some of these projects are sizeable, given the huge discount that Uzma is trading at, we prefer to see actual delivery and progressively upgrade earnings in tandem.

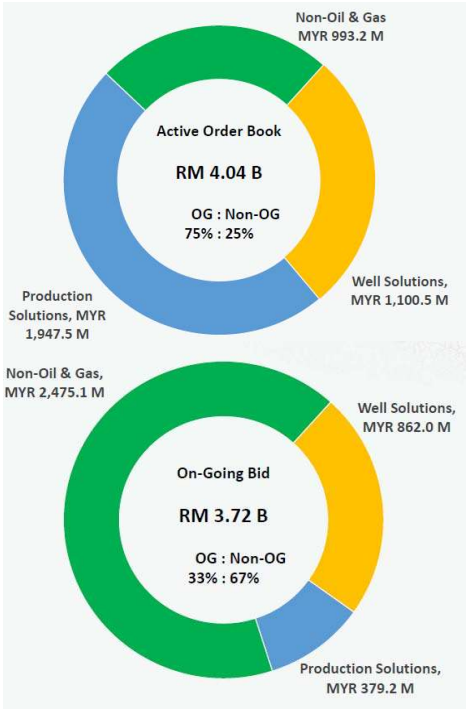
VALUATION/RECOMMENDATION

- **Retain BUY with an unchanged target price of RM0.76,** pegged to 8x PE. Despite the earnings risks, we see value now as the O&G orderbook remains strong, although we think markets are pricing Uzma at a hefty discount to account for fund-raising risks, hence we advise a wait-and-see approach as it will take time for earnings delivery and its long-term ESG investment theme (remote sensing satellite, BESS, solar) to be translated into share price gains.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

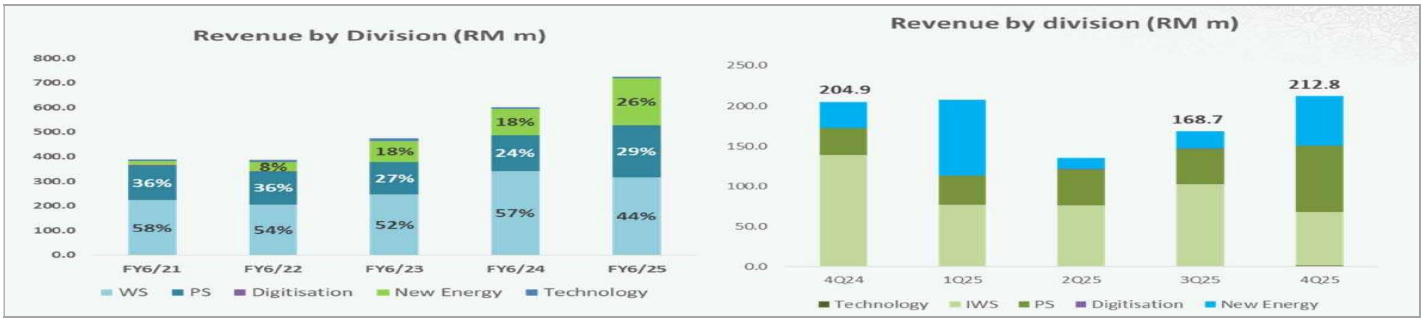
• **Environmental**
- **Carbon (CO2) reduction.** Uzma is clearly serious about its net-zero carbon targets, in line with the below point.
- **Clear non-O&G diversification roadmap.** Non-O&G targeted to be 40% of revenue mix by FY25. Long-term target revenue generation from solar at >RM1b beyond 2030.
• **Social**
- **Diversity.** >20% female proportion among 880 staff force.
- **Safety (HSE).** Lost Time Injury Frequency (LTIF) remains low at almost 0.
• **Governance**
- **5 out of 8 board members are independent,** with wide industry expertise.

ORDERBOOK (TOP) AND BIDBOOK (BOTTOM)



Note: As of June 2025
Source: Uzma

REVENUE BY DIVISION



Source: Uzma

PROFIT & LOSS

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Net turnover	**600**	**704**	**984**	**871**
EBITDA	84	80	99	108
Deprec. & amort.	(52)	(64)	(67)	(67)
EBIT	61	51	65	68
Total other non-operating income	n.a.	n.a.	n.a.	n.a.
Associate contributions	0	4	6	9
Net interest income/(expense)	(20)	(33)	(39)	(48)
Pre-tax profit	**61**	**51**	**65**	**68**
Tax	(7)	(6)	(8)	(9)
Minorities	(4)	(2)	(2)	(2)
Net profit	**52.4**	**43**	**55**	**57**
Net profit (adj.)	50.0	43	55	57

BALANCE SHEET

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Fixed assets	267	544	801	747
Other LT assets	68	86	120	106
Cash/ST investment	132	290	262	361
Other current assets	469	919	1,182	1,214
Total assets	**1,516**	**1,867**	**2,174**	**2,230**
ST debt	155	427	597	529
Other current liabilities	268	278	379	477
LT debt	364	389	394	391
Other LT liabilities	42	42	42	42
Shareholders' equity	612	644	681	715
Minority interest	33	46	39	33
Total liabilities & equity	**1,516**	**1,867**	**2,174**	**2,230**

CASH FLOW

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Operating	**77**	**86**	**3**	**125**
Pre-tax profit	61	51	65	68
Tax	(7)	(6)	(8)	(9)
Deprec. & amort.	52	64	67	67
Working capital changes				
Other operating cashflows	(17)	(23)	(121)	(0)
Investing	**(354)**	**(150)**	**(100)**	**(80)**
Capex (growth)	(219)	(150)	(100)	(80)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(135)	0.0	0.0	0.0
Financing	**337**	**105**	**65**	**49**
Dividend payments	(5)	(5)	(5)	(5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	225	170	130	114
Loan repayment	(60)	(60)	(60)	(60)
Others/interest paid	177	0.0	0.0	0.0
Net cash inflow (outflow)	**60**	**40**	**33**	**94**
Beginning cash & cash equivalent	**142**	**205**	**250**	**222**
Changes due to forex impact	70	44	45	46
Ending cash & cash equivalent	**132**	**290**	**262**	**361**

KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	24.1	21.1	18.2	17.5
Pre-tax margin	13.3	8.9	7.2	7.4
Net margin	11.8	7.0	5.6	5.8
ROA	4.4	3.1	2.7	2.9
ROE	10.9	7.8	7.4	8.7
Growth				
Turnover	25.4	34.8	30.5	21.6
EBITDA	33.6	18.3	12.7	16.8
Pre-tax profit	271.5	(10.4)	5.5	26.1
Net profit	1,008.1	(19.7)	4.3	25.4
Net profit (adj.)	172.7	0.4	4.3	25.4
EPS	115.6	0.4	4.3	25.4
Leverage				
Debt to total capital	81.5	58.6	75.0	70.9
Debt to equity	103.2	103.5	113.4	121.5
Net debt/(cash) to equity	97.9	96.7	107.3	116.0
Interest cover (x)	6.7	4.4	4.2	3.6

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